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TEXHONG INTERNATIONAL GROUP LIMITED

天虹國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2678)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

FINANCIAL HIGHLIGHTS

- Revenue decreased by 1.9% to RMB11.0 billion
- Gross profit margin increased by 1.0 percentage point to 14.2%
- Net profit was RMB463.5 million
- Profit attributable to owners of the Company was RMB418.8 million
- Basic earnings per share was RMB0.46

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2025	2024 (restated)
	Note	RMB'000	RMB'000
Revenue	4	11,034,056	11,243,529
Cost of sales	6	<u>(9,468,405)</u>	<u>(9,763,980)</u>
Gross profit		1,565,651	1,479,549
Selling and distribution costs	6	(303,479)	(308,597)
General and administrative expenses	6	(606,965)	(597,379)
Net accrual of impairment losses on financial assets		(24,900)	(22,139)
Other income	5	130,086	83,753
Other losses — net	5	<u>(99,367)</u>	<u>(21,116)</u>
Operating profit		661,026	614,071
Finance income	7	71,131	37,925
Finance costs	7	<u>(144,953)</u>	<u>(262,619)</u>
Finance costs — net	7	<u>(73,822)</u>	<u>(224,694)</u>
Share of losses of investments accounted for using the equity method		<u>(13,586)</u>	<u>(20,649)</u>
Profit before income tax		573,618	368,728
Income tax expense	8	<u>(110,108)</u>	<u>(83,241)</u>
Profit for the period		463,510	285,487
Attributable to:			
Owners of the Company		418,834	273,156
Non-controlling interests		<u>44,676</u>	<u>12,331</u>
		463,510	285,487
Earnings per share for profit attributable to owners of the Company			
— Basic earnings per share	9	<u>RMB0.46</u>	<u>RMB0.30</u>
— Diluted earnings per share	9	<u>RMB0.46</u>	<u>RMB0.30</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2025	2024
		(restated)
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	463,510	285,487
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Share of other comprehensive income of investments accounted for using the equity method	1,934	6,154
Currency translation differences	7,634	7,693
Total comprehensive income for the period	473,078	299,334
Attributable to:		
Owners of the Company	430,235	284,637
Non-controlling interests	42,843	14,697
	473,078	299,334

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2025 RMB'000	Restated 31 December 2024 RMB'000
	Note		
ASSETS			
Non-current assets			
Freehold land		104,284	104,718
Property, plant and equipment		7,849,275	8,093,918
Investment properties		379,163	373,608
Right-of-use assets		1,125,494	1,197,311
Intangible assets		56,264	58,095
Investments accounted for using the equity method		349,977	361,629
Deferred income tax assets		279,794	312,433
Financial assets at fair value through profit or loss		17,982	18,057
		<u>10,162,233</u>	<u>10,519,769</u>
Current assets			
Inventories	11	5,369,016	4,543,107
Properties under development		293,652	261,510
Trade and bills receivables	12	1,544,363	1,403,935
Financial assets at fair value through other comprehensive income	13	345,669	375,631
Prepayments, deposits and other receivables		694,249	681,717
Derivative financial instruments	16	35,984	100,652
Pledged bank deposits		7,340	23,908
Cash and cash equivalents		2,707,872	2,880,283
		<u>10,998,145</u>	<u>10,270,743</u>
Total assets		<u><u>21,160,378</u></u>	<u><u>20,790,512</u></u>

		Unaudited 30 June 2025 RMB'000	Restated 31 December 2024 RMB'000
	<i>Note</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital: nominal value		96,958	96,958
Share premium		462,059	462,059
Other reserves		929,900	918,499
Retained earnings		8,312,618	7,977,506
		9,801,535	9,455,022
Non-controlling interests		490,606	502,048
Total equity		10,292,141	9,957,070
LIABILITIES			
Non-current liabilities			
Borrowings		1,889,794	3,196,353
Lease liabilities		108,644	131,111
Employee benefit obligations		3,464	2,572
Deferred income tax liabilities		155,358	143,448
		2,157,260	3,473,484
Current liabilities			
Trade and bills payables	14	1,004,057	886,393
Contract liabilities		321,767	232,090
Accruals and other payables		751,955	811,473
Current income tax liabilities		43,115	28,501
Borrowings		3,931,690	3,199,142
Supply chain financing	15	2,570,139	2,111,445
Derivative financial instruments	16	40,751	42,025
Lease liabilities		47,503	48,889
		8,710,977	7,359,958
Total liabilities		10,868,237	10,833,442
Total equity and liabilities		21,160,378	20,790,512

NOTES:

1. GENERAL INFORMATION

Texhong International Group Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and sales of yarns, grey fabrics, non-woven fabrics and garment fabrics.

The Company was incorporated in the Cayman Islands on 12 July 2004 as an exempted company with limited liability under the Companies Law of Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 9 December 2004.

The interim results set out in this announcement do not constitute the Group’s condensed consolidated financial statements for the six months ended 30 June 2025 but are extracted from those financial statements.

These condensed consolidated financial statements are presented in Chinese Renminbi (“RMB”), unless otherwise stated.

These condensed consolidated financial statements have been approved and authorised for issue by the board (“Board”) of directors (“Directors”) of the Company on 27 August 2025.

These condensed consolidated financial statements are unaudited.

2. BASIS OF PREPARATION

These condensed consolidated financial statements for the six months ended 30 June 2025 have been prepared in accordance with HKAS 34, ‘Interim Financial Reporting’, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These condensed consolidated financial statements do not include all of the notes normally included in annual consolidated financial statements. Accordingly, these condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2024, which have been prepared in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants, and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

HKFRS Accounting Standards comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards (“HKFRS”),
- Hong Kong Accounting Standards (“HKAS”),
- Interpretations developed by the HKICPA.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2024, as described in the annual financial statements, except for the change in the accounting policy of buildings as disclosed in note 3(a) and the adoption of amended standard as disclosed in note 3(b).

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings.

(a) Change in the accounting policy of buildings

In accordance with HKAS 16 Property, Plant and Equipment, buildings can either be accounted for using the cost model or the revaluation model after their initial recognition.

The Group accounted for its buildings for self-use as factories and offices using the revaluation model in prior years. With effect from 1 January 2025, the Group aligned its accounting policy with the industry practice and measured its buildings at cost less accumulated depreciation and any impairment losses. The adoption of the cost model would avoid fluctuations in the Group's financial information resulting from the cyclical volatility associated with the valuation of its buildings and the Group's financial performance and financial position could be more comparable on a year-on-year basis. In the opinion of the Directors, this change in the accounting policy enables the Group to provide reliable and more relevant information on the financial statements about its performance and financial position.

As a result of the adoption of the cost model under HKAS 16, the Group has changed its accounting policy with respect to buildings. This change in accounting policy has been applied retrospectively by restating the balances as at 31 December 2024, and the results for the six months ended 30 June 2024.

- (i) Effect on the condensed consolidated income statement for the six months ended 30 June 2024:

	As previously reported <i>RMB'000</i>	Effect of adopting cost model under HKAS 16 <i>RMB'000</i>	As restated <i>RMB'000</i>
Revenue	11,243,529	—	11,243,529
Cost of sales	(9,763,980)	—	(9,763,980)
Gross profit	1,479,549	—	1,479,549
Selling and distribution costs	(308,597)	—	(308,597)
General and administrative expenses	(600,904)	3,525	(597,379)
Net accrual of impairment losses on financial assets	(22,139)	—	(22,139)
Other income	83,663	90	83,753
Other losses — net	(21,116)	—	(21,116)
Operating profit	610,456	3,615	614,071
Finance income	37,925	—	37,925
Finance costs	(262,619)	—	(262,619)
Finance costs — net	(224,694)	—	(224,694)
Share of losses of investments accounted for using the equity method	(20,649)	—	(20,649)
Profit before income tax	365,113	3,615	368,728
Income tax expense	(82,844)	(397)	(83,241)
Profit for the period	282,269	3,218	285,487
Attributable to:			
Owners of the Company	269,938	3,218	273,156
Non-controlling interests	12,331	—	12,331
	282,269	3,218	285,487
Earnings per share for profit attributable to owners of the Company			
— Basic earnings per share	RMB0.29	RMB0.01	RMB0.30
— Diluted earnings per share	RMB0.29	RMB0.01	RMB0.30

- (ii) Effect on the condensed consolidated statement of comprehensive income for the six months ended 30 June 2024:

	As previously reported <i>RMB'000</i>	Effect of adopting cost model under HKAS 16 <i>RMB'000</i>	As restated <i>RMB'000</i>
Profit for the period	282,269	3,218	285,487
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Share of other comprehensive income of investments accounted for using the equity method	6,154	—	6,154
Currency translation differences	7,693	—	7,693
Total comprehensive income for the period	<u>296,116</u>	<u>3,218</u>	<u>299,334</u>
Attributable to:			
Owners of the Company	281,419	3,218	284,637
Non-controlling interests	14,697	—	14,697
	<u>296,116</u>	<u>3,218</u>	<u>299,334</u>

(iii) Effect on the consolidated balance sheet as at 31 December 2024:

	As previously reported <i>RMB'000</i>	Effect of adopting cost model under HKAS 16 <i>RMB'000</i>	As restated <i>RMB'000</i>
ASSETS			
Non-current assets			
Freehold land	104,718	—	104,718
Property, plant and equipment	8,282,247	(188,329)	8,093,918
Investment properties	377,491	(3,883)	373,608
Right-of-use assets	1,197,311	—	1,197,311
Intangible assets	58,095	—	58,095
Investments accounted for using the equity method	361,629	—	361,629
Deferred income tax assets	312,433	—	312,433
Financial assets at fair value through profit or loss	18,057	—	18,057
	<u>10,711,981</u>	<u>(192,212)</u>	<u>10,519,769</u>
Current assets			
Inventories	4,543,107	—	4,543,107
Properties under development	261,510	—	261,510
Trade and bills receivables	1,403,935	—	1,403,935
Financial assets at fair value through other comprehensive income	375,631	—	375,631
Prepayments, deposits and other receivables	681,717	—	681,717
Derivative financial instruments	100,652	—	100,652
Pledged bank deposits	23,908	—	23,908
Cash and cash equivalents	2,880,283	—	2,880,283
	<u>10,270,743</u>	<u>—</u>	<u>10,270,743</u>
Total assets	<u><u>20,982,724</u></u>	<u><u>(192,212)</u></u>	<u><u>20,790,512</u></u>

	As previously reported <i>RMB'000</i>	Effect of adopting cost model under HKAS 16 <i>RMB'000</i>	As restated <i>RMB'000</i>
EQUITY			
Equity attributable to owners of the Company			
Share capital: nominal value	96,958	—	96,958
Share premium	462,059	—	462,059
Other reserves	1,098,714	(180,215)	918,499
Retained earnings	7,977,506	—	7,977,506
	<u>9,635,237</u>	<u>(180,215)</u>	<u>9,455,022</u>
Non-controlling interests	<u>502,048</u>	<u>—</u>	<u>502,048</u>
Total equity	<u>10,137,285</u>	<u>(180,215)</u>	<u>9,957,070</u>
LIABILITIES			
Non-current liabilities			
Borrowings	3,196,353	—	3,196,353
Lease liabilities	131,111	—	131,111
Employee benefit obligations	2,572	—	2,572
Deferred income tax liabilities	155,445	(11,997)	143,448
	<u>3,485,481</u>	<u>(11,997)</u>	<u>3,473,484</u>
Current liabilities			
Trade and bills payables	886,393	—	886,393
Contract liabilities	232,090	—	232,090
Accruals and other payables	811,473	—	811,473
Current income tax liabilities	28,501	—	28,501
Borrowings	3,199,142	—	3,199,142
Supply chain financing	2,111,445	—	2,111,445
Derivative financial instruments	42,025	—	42,025
Lease liabilities	48,889	—	48,889
	<u>7,359,958</u>	<u>—</u>	<u>7,359,958</u>
Total liabilities	<u>10,845,439</u>	<u>(11,997)</u>	<u>10,833,442</u>
Total equity and liabilities	<u>20,982,724</u>	<u>(192,212)</u>	<u>20,790,512</u>

(b) Amended standard adopted by the Group

An amended standard became applicable for the current reporting period. The Group did not have to change its accounting policies as a result of adopting this standard.

Amendments to HKAS 21 ‘Lack of Exchangeability’, effective for annual periods beginning on or after 1 January 2025.

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2025 and have not been early adopted by the Group:

Amendments to HKFRS 9 and HKFRS 7 ‘Amendments to the Classification and Measurement of Financial Instruments’, effective for annual periods beginning on or after 1 January 2026.

Amendments to HKFRS 9 and HKFRS 7 ‘Contracts-referencing nature-dependent electricity’, effective for annual periods beginning on or after 1 January 2026.

Annual improvements project ‘Annual improvements to HKFRS Accounting Standards-volumes 11’, effective for annual periods beginning on or after 1 January 2026.

HKFRS 18 ‘Presentation and Disclosure in Financial Statements’, effective for annual periods beginning on or after 1 January 2027.

HKFRS 19 ‘Subsidiaries without Public Accountability: Disclosures’, effective for annual periods beginning on or after 1 January 2027.

Amendments to HKFRS 10 and HKFRS 28 ‘Sale or Contribution of Assets between an Investor and its Associate or Joint venture’, effective for to be determined.

The directors of the Company anticipate that the application of the above new standards, amendments and interpretations will have no material impact on the consolidated financial statements upon adoption, except HKFRS 18, which mainly impacts the presentation of the Group’s consolidated statement of comprehensive income and the Group is still in the process of assessing the impact.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and sales of yarns, grey fabrics, non-woven fabrics and garment fabrics as well as garments.

The chief operating decision-maker has been identified as the Committee of Executive Directors of the Company. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Committee of Executive Directors reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Committee of Executive Directors considers the business from both a product and geographical perspective. From a product perspective, management assesses the performance from sales of yarns, grey fabrics, non-woven fabrics and garment fabrics as well as garments.

China now includes Mainland China, Hong Kong and Macao. Southeast Asia now includes Vietnam. Americas now includes United States, Mexico, Nicaragua and Honduras.

The revenues from external customers in Asia and Americas accounted for 89.7% and 9.8% (for the six months ended 30 June 2024: 92.4% and 7.2%) of the Group's total revenue respectively.

The Committee of Executive Directors assesses the performance of the operating segments based on revenue and operating profit.

The segment information for the six months ended 30 June 2025 is as follows:

	Unaudited													
	Six months ended 30 June 2025													
	Yarns				Garment fabrics and Garments			Grey fabrics		Non-woven fabrics		Others		Total
	Southeast				Southeast			Southeast		Southeast		Southeast		
	China	Asia	Americas	Others	China	Asia	Americas	China	Asia	China	Asia	China	Asia	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total revenue	10,883,754	3,595,897	306,900	164,888	1,355,637	624,893	590,929	140,924	—	51,186	79,322	50	71,913	17,866,293
Inter-segment revenue	(3,625,118)	(2,254,228)	(114,179)	(20,357)	(26,147)	(520,922)	(166,638)	(3,730)	—	—	(61,443)	—	(39,475)	(6,832,237)
Revenue (from external customers)	7,258,636	1,341,669	192,721	144,531	1,329,490	103,971	424,291	137,194	—	51,186	17,879	50	32,438	11,034,056
Timing of revenue recognition														
— At a point in time	7,258,636	1,341,669	192,721	144,531	1,329,490	103,971	424,291	137,194	—	51,186	17,879	50	32,438	11,034,056
Segment results	235,027	325,449	17,792	(28,210)	67,563	38,241	30,842	(12,551)	—	(2,970)	(11,566)	(13,333)	11,086	657,370
Unallocated gains														3,656
Operating profit														661,026
Finance income														71,131
Finance costs														(144,953)
Share of losses of investments accounted for using the equity method														(13,586)
Income tax expense														(110,108)
Profit for the period														463,510
Depreciation and amortisation	(209,011)	(129,460)	(32,596)	(10,963)	(34,352)	(31,190)	(16,974)	(1,816)	—	—	(15,604)	(33)	(6,188)	(488,187)

The segment information for the six months ended 30 June 2024 is as follows:

	Unaudited													
	Six months ended 30 June 2024 (restated)													
	Yarns				Garment fabrics and Garments			Grey fabrics		Non-woven fabrics		Others		Total
	China	Southeast Asia	Americas	Others	China	Southeast Asia	Americas	China	Southeast Asia	China	Southeast Asia	China	Southeast Asia	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total revenue	10,679,897	3,541,137	220,734	213,649	1,334,650	483,559	511,294	211,826	231,347	26,096	50,417	238,877	80,909	17,824,392
Inter-segment revenue	(3,060,492)	(2,461,486)	(134,319)	(2,111)	(32,897)	(411,013)	(150,095)	(22,799)	(231,347)	—	(41,242)	—	(33,062)	(6,580,863)
Revenue (from external customers)	7,619,405	1,079,651	86,415	211,538	1,301,753	72,546	361,199	189,027	—	26,096	9,175	238,877	47,847	11,243,529
Timing of revenue recognition														
— At a point in time	7,619,405	1,079,651	86,415	211,538	1,301,753	72,546	361,199	189,027	—	26,096	9,175	238,877	47,847	11,243,529
Segment results	394,851	147,293	(22,878)	(4,520)	17,155	34,329	16,201	3,491	(1,491)	(7,289)	(14,181)	58,133	17,669	638,763
Unallocated losses														(24,692)
Operating profit														614,071
Finance income														37,925
Finance costs														(262,619)
Share of losses of investments accounted for using the equity method														(20,649)
Income tax expense														(83,241)
Profit for the period														285,487
Depreciation and amortisation	(219,023)	(135,878)	(32,971)	(10,151)	(34,380)	(21,136)	(18,129)	(3,862)	(10,680)	—	(15,794)	(33)	(5,903)	(507,940)

The segment assets and liabilities as at 30 June 2025 are as follows:

	Unaudited													
	As at 30 June 2025													
	Yarns				Garment fabrics and Garments			Grey fabrics		Non-woven fabrics		Others		Total
	China	Southeast Asia	Americas	Others	China	Southeast Asia	Americas	China	Southeast Asia	China	Southeast Asia	China	Southeast Asia	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total segment assets	8,790,229	5,719,790	1,143,496	621,765	1,697,797	666,984	664,260	139,284	—	12,773	505,051	441,599	298,835	20,701,863
Unallocated assets														458,515
Total assets of the Group														21,160,378
Total segment liabilities	(3,256,248)	(3,229,518)	(902,852)	(319,221)	(56,065)	(463,304)	(370,337)	(64,082)	—	(10,411)	(503,548)	(309,199)	(36,947)	(9,521,732)
Unallocated liabilities														(1,346,505)
Total liabilities of the Group														(10,868,237)
Addition to non-current assets	155,683	100,457	13,839	2,347	7,344	10,272	17,221	952	—	—	20,346	—	11,511	339,972

The segment assets and liabilities as at 31 December 2024 are as follows:

	As at 31 December 2024 (restated)													
	Yarns				Garment fabrics and Garments			Grey fabrics		Non-woven fabrics		Others		Total
	Southeast				Southeast			Southeast		Southeast		Southeast		
	China	Asia	Americas	Others	China	Asia	Americas	China	Asia	China	Asia	China	Asia	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total segment assets	8,721,838	4,793,990	992,908	697,642	1,896,003	654,122	653,231	214,729	449,211	5,347	470,960	445,215	350,760	20,345,956
Unallocated assets														444,556
Total assets of the Group														20,790,512
Total segment liabilities	(3,503,558)	(2,392,262)	(807,359)	(358,540)	(256,588)	(464,970)	(386,742)	(93,505)	(354,110)	(742)	(492,871)	(242,594)	(332,572)	(9,686,413)
Unallocated liabilities														(1,147,029)
Total liabilities of the Group														(10,833,442)
Addition to non-current assets	227,562	340,083	23,746	53,702	12,115	32,597	27,234	3,182	3,035	—	4,547	106,544	—	834,347

5. OTHER INCOME AND OTHER LOSSES — NET

	Unaudited	
	Six months ended 30 June	
	2025	2024
		(restated)
	<i>RMB'000</i>	<i>RMB'000</i>
Other income — net		
Subsidy income	107,076	72,211
Rental income	36,288	26,037
Depreciation of investment properties and rented property, plant and equipment	(13,278)	(14,495)
Total other income — net	<u>130,086</u>	<u>83,753</u>
Other losses — net		
Derivative financial instruments at fair value through profit or loss:		
— Realised profits	73,163	75,909
— Unrealised losses	(63,394)	(16,963)
Financial assets at fair value through profit or loss		
— Realised profits	2,770	2,088
Foreign exchange losses — net	(127,622)	(123,783)
Fees generated from the certain returned assets	(3,143)	—
Others	18,859	41,633
Total other losses — net	<u>(99,367)</u>	<u>(21,116)</u>

6. EXPENSES BY NATURE

The following expenses items have been included in cost of sales, selling and distribution costs and general and administrative expenses in the condensed consolidated income statement.

	Unaudited	
	Six months ended 30 June	
	2025	2024
		(restated)
	RMB'000	RMB'000
Cost of inventories	7,492,346	7,846,768
Employment benefit expenses	1,253,332	1,189,609
Utilities	741,496	723,430
Depreciation and amortisation	474,909	493,445
Transportation costs	174,051	171,898

7. FINANCE COSTS — NET

	Unaudited	
	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Interest expenses		
— Borrowings	177,636	240,368
— Lease liabilities	2,843	3,503
Less: finance costs capitalized in building and machinery in property, plant and equipment	—	(2,020)
	180,479	241,851
Net exchange (gains)/losses on financing activities	(35,526)	20,768
Finance costs	144,953	262,619
Finance income — interest income on bank deposits	(71,131)	(37,925)
Finance costs — net	73,822	224,694

8. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2025	2024
		(restated)
	RMB'000	RMB'000
Current tax on profits for the period	65,559	75,834
Deferred income tax	44,549	7,407
	110,108	83,241

(a) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to profits tax at rate of 16.5% (for the six months ended 30 June 2024: 16.5%).

(b) Mainland China enterprise income tax ("EIT")

Effective from 1 January 2008, the subsidiaries established in Mainland China are required to pay income tax at a rate of 25% in accordance with the Corporate Income Tax Law of the PRC.

As approved by the relevant tax bureau in Mainland China, sixteen subsidiaries of the Company in the PRC obtained High and New Technology Enterprises ("HNTE") status and are entitled to a preferential tax rate of 15% during the period (for the six months ended 30 June 2024: sixteen subsidiaries). The status is subject to a requirement that these subsidiaries reapply for HNTE status every three years.

(c) Vietnam income tax

As approved by the relevant tax bureau in Vietnam, subsidiaries established in Vietnam are entitled to four years' exemption for income taxes followed by nine years of a 50% tax reduction based on the income tax rate of 20% (for the six months ended 30 June 2024: 20%), commencing from the first profitable year after offsetting the losses carried forward from the previous years, and are entitled to a preferential income tax rate of 10% for 15 years, commencing from the first year generating income from the operation.

The applicable tax rates for all subsidiaries in Vietnam range from nil to 20% during the period (for the six months ended 30 June 2024: nil to 20%).

(d) Other income or profits tax

Taxation for other oversea subsidiaries is charged based on the applicable tax rate and the assessable profits under the relevant taxation rulings.

(e) OECD Pillar Two model rules

The Group has operations mainly in Mainland China, Hong Kong, Vietnam and Americas. It is within the scope of the OECD Pillar Two model rules. As of the reporting date, there is no public announcement in Mainland China and Americas. In Hong Kong, the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 was enacted on 6 June 2025 to implement the Global Anti-Base Erosion (“GloBE”) rules, which comprises the income inclusion rule (“IIR”) and undertaxed profits rule (“UTPR”), as well as the Hong Kong minimum top-up tax (“HKMTT”). IIR and HKMTT apply to a fiscal year beginning on or after 1 January 2025, while the UTPR will take effect from a date to be specified by the Secretary for Financial Services and the Treasury at a later stage.

Since the Pillar Two legislation was not effective in Mainland China and Americas at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in July 2023.

Under the legislation, the Group is liable to pay a top-up tax for the difference between the GloBE effective tax rate for each jurisdiction and the 15% minimum rate.

The Group’s assessment indicates that for Vietnam the weighted average effective tax rate based on accounting profit is below 15% for the six months ended 30 June 2025. Considering the impact of specific adjustments in the Pillar Two legislation, the Group’s exposure to paying Pillar Two income taxes in relation to Vietnam is not material and the Group did not recognize any current income tax expense for the period in this regard.

For the six months ended 30 June 2025, the average effective tax rate excluding dividends received from subsidiaries and withholding tax (calculated in accordance with paragraph 86 of HKAS 12) of the entities operating in Hong Kong exceeds 15%. The Group was not exposed to paying Pillar Two income taxes in relation to Hong Kong and did not recognize any current income tax expense for the period in this regard.

In addition, based on the current assessment, there is no material impact from exposure to Pillar Two legislation on the going concern assessment or on any asset impairment.

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2025	2024
		(restated)
Profit attributable to owners of the Company (<i>RMB'000</i>)	418,834	273,156
Weighted average number of ordinary shares in issue (<i>thousands</i>)	918,000	918,000
Basic earnings per share (<i>RMB per share</i>)	0.46	0.30

(b) Diluted

For the six months ended 30 June 2025 and 2024, diluted earnings per share was the same as the basic earnings per share since the Company did not have diluted shares.

10. DIVIDENDS

During the period, a final dividend of RMB83,722,000, being HKD0.10 per ordinary share that is related to the year ended 31 December 2024 has been recognized as a liability in these financial statements (2024: Nil).

In addition, no interim dividend (2024: HKD0.10 per share) was proposed by the Board.

11. INVENTORIES

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Raw materials	3,223,419	2,501,852
Work-in-progress	362,379	342,277
Finished goods	<u>2,065,597</u>	<u>1,984,565</u>
	<u>5,651,395</u>	<u>4,828,694</u>
Less: provision for write-down of inventories to net realisable value	<u>(282,379)</u>	<u>(285,587)</u>
	<u><u>5,369,016</u></u>	<u><u>4,543,107</u></u>

12. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Trade receivables	1,176,973	1,188,956
Bills receivable	<u>480,913</u>	<u>302,898</u>
	1,657,886	1,491,854
Less: provision for impairment	<u>(113,523)</u>	<u>(87,919)</u>
	<u><u>1,544,363</u></u>	<u><u>1,403,935</u></u>

As at 30 June 2025, included in the trade receivables were amounts due from related parties of RMB24,602,000 (31 December 2024: RMB32,076,000).

Due to the short-term nature of the trade and bills receivables, their carrying amount is considered to be the same as their fair value.

The Group generally grants credit terms of less than 90 days to its customers in Mainland China and 120 days to its customers in other countries and regions. The ageing analysis of the trade and bills receivables (including amounts due from related parties of trading in nature) based on invoice date is as follows:

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Within 30 days	900,469	792,344
31 to 90 days	524,622	506,811
91 to 180 days	134,037	87,595
181 days to 1 year	10,107	9,619
Over 1 year	88,651	95,485
	1,657,886	1,491,854
Less: provision for impairment	(113,523)	(87,919)
Trade and bills receivables — net	1,544,363	1,403,935

There is no concentration of credit risk with respect to trade and bills receivables, as the Group has a large number of customers.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Current — bills receivables	345,669	375,631

Bills receivables held both by collecting contractual cash flows and selling of these assets are classified as financial assets at fair value through other comprehensive income.

14. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Trade payables	811,771	792,006
Bills payable	192,286	94,387
	<u>1,004,057</u>	<u>886,393</u>

As at 30 June 2025, included in the trade payables were amounts due to related parties of RMB63,449,000 (31 December 2024: RMB36,429,000).

Due to the short-term nature of the trade and bills payables, their carrying amount is considered to be the same as their fair value.

The ageing analysis of the trade and bills payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Within 90 days	855,020	809,439
91 to 180 days	126,569	37,547
181 days to 1 year	18,729	28,604
Over 1 year	3,739	10,803
	<u>1,004,057</u>	<u>886,393</u>

15. SUPPLY CHAIN FINANCING

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Current		
Guaranteed (<i>Note (a)</i>)	2,570,139	1,911,445
Unguaranteed	—	200,000
	<u>2,570,139</u>	<u>2,111,445</u>

Note:

- (a) As at 30 June 2025, supply chain financing of RMB2,570,139,000 (31 December 2024: RMB1,911,445,000) were guaranteed by certain subsidiaries of the Group.

The carrying amounts of the supply chain financing are denominated in RMB, USD, HKD and EUR.

At 30 June 2025, the Group's supply chain financing was repayable within 1 year.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2025 RMB'000	Audited 31 December 2024 RMB'000
Assets:		
Forward foreign exchange contracts (<i>Note (a)</i>)	30,295	99,963
Cotton option contracts (<i>Note (c)</i>)	5,147	689
Cotton future contract (<i>Note (d)</i>)	542	—
	<u>35,984</u>	<u>100,652</u>
Liabilities:		
Cross currency swap contracts (<i>Note (b)</i>)	24,424	2,040
Forward foreign exchange contracts (<i>Note (a)</i>)	11,286	39,451
Cotton option contracts (<i>Note (c)</i>)	5,041	—
Cotton future contract (<i>Note (d)</i>)	—	534
	<u>40,751</u>	<u>42,025</u>

Non-hedging derivatives are classified as current assets or liabilities.

Notes:

- (a) The forward foreign exchange contracts as at 30 June 2025 comprised seventy-one contracts with notional principal amounts totaling RMB3,460,123,000 (31 December 2024: ninety-seven contracts with notional principal amounts totaling RMB5,360,201,000).
- (b) The cross currency swap contracts as at 30 June 2025 comprised three contracts with notional principal amounts totaling RMB396,112,000 (31 December 2024: two contracts with notional principal amounts totaling RMB324,114,000).
- (c) The cotton option contracts as at 30 June 2025 comprised sixteen contracts with notional principal amount totaling USD2,352,000 (31 December 2024: three contracts with notional principal amounts totaling USD2,555,000).
- (d) The cotton future contract as at 30 June 2025 comprised one contract with notional principal amount of USD26,170,000 (31 December 2024: one contract with notional principal amount of USD4,580,000).

OVERVIEW

The Group is pleased to report to the shareholders of the Company (the “Shareholders”) its interim results for the six months ended 30 June 2025 (the “Review Period”).

During the Review Period, the global geopolitical landscape became increasingly complex and volatile, while international economic and trade disputes intensified. The “reciprocal tariffs” policy introduced by the United States far exceeded international expectations, severely disrupted international trade order and dynamics and impacted global economic and financial stability, leading to heightened fluctuations in international trade and financial markets.

Against this backdrop, China strengthened the implementation of more proactive and impactful counter-cyclical adjustment policies. Policies focused on “equipment renewal and trade-in of consumer goods” (「兩新」政策) drove the rapid growth in sales of related goods and manufacturing investments. The accelerated expansion of funding channels, including special-purpose local government bonds and ultra-long-term special treasury bonds, has propelled the growth in infrastructure investments, with domestic demand remaining relatively stable. Notably, while overall domestic demand remained stable, significant divergences emerged within the consumer sector, characterized by the following trends:

Firstly, traditional consumption cooled, whereas emerging consumption gained momentum, with consumption patterns gradually shifting from conventional to new models. Particularly, an increasing number of consumers, mainly younger cohorts, transitioned from “face-saving” consumption to “self-pleasing” consumption. Material consumption became more rationalized, and experiential spending continued to upgrade, resulting in a noticeable slowdown in luxury goods spending, as the hobby economy flourished.

Secondly, a pronounced volume-price divergence has emerged across consumer goods and industrial products, with price levels remaining relatively low and relevant consumer price indicators decoupling from consumption patterns. Household goods consumption has increased in volume but declined in price, mainly due to the shift towards a “value for money” spending preference and “race-to-the-bottom” price cuts adopted by several retailers.

Thirdly, initiatives to expand domestic demand yielded significant results, yet clear fragmentation emerged across consumer segments. Subsidy programs for trade-in purchases fueled the rapid growth in upgrade-oriented spending, such as home appliances and communications equipment, but provided only a modest lift to apparel, footwear and accessories. The textile industry has seen a year-on-year slowdown, while the growth in apparel, footwear and accessories was primarily driven by rising demand for related functional performance wear, fueled by the rising popularity of outdoor activities like camping, cycling and skiing.

Conversely, the United States and Europe have shown signs of a mild economic recovery, buoyed by robust job markets and easing inflation. The United States maintained moderate GDP growth, primarily driven by resilient consumer spending and strong activity in the services sector. Regarding the Eurozone, stabilized energy markets following the Russia-Ukraine conflict have sparked initial signs of industrial recovery, though household demand remains subdued. The central banks in both regions are prudently easing their monetary policies to boost confidence in the financial markets. However, the current higher interest rate environment is weighing on corporate investment, and the pace of recovery varies across different industries.

Despite the global economic uncertainties, the Group has established a solid foundation for enhancing overall performance and capturing market opportunities through exceptional execution capabilities, a balanced global production footprint, and adaptive agility. During the Review Period, the Group has successfully capitalized on the recovery in domestic and overseas orders, achieving steady sales volume growth. At the same time, continuous improvements in operational efficiency and capacity utilization rates directly drove product gross profit margin expansion. These results demonstrate the Group's ability to maintain robust performance amid economic headwinds, leading to enhanced profitability compared to the corresponding period of last year.

Taking all of the above-mentioned factors into account, and despite an increase in sales volume for the Review Period compared with the corresponding period of last year, the Group's sales revenue decreased by approximately 1.9% from approximately RMB11.2 billion for the corresponding period of last year to approximately RMB11.0 billion for the Review Period. Overall gross profit margin increased from approximately 13.2% for the corresponding period of last year to approximately 14.2% for the Review Period. Net profit, profit attributable to owners of the Company, and basic earnings per share were approximately RMB463.5 million, approximately RMB418.8 million and RMB0.46, respectively, for the Review Period — all showed growth compared with the restated net profit, profit attributable to owners of the Company and basic earnings per share for the corresponding period of last year of approximately RMB285.5 million, approximately RMB273.2 million and RMB0.30, respectively. During the Review Period, the Group continued to implement a strict working capital control policy. The Group's gearing ratio as at 30 June 2025 stood at 51%, compared with 52% at the end of last year.

INDUSTRY REVIEW

According to data from the National Bureau of Statistics of the People's Republic of China (the "PRC"), between January and June 2025, sizable enterprises in the textile industry recorded an aggregate revenue of approximately RMB1,124.5 billion, representing a year-on-year decrease of approximately 1.9%, with net profit of approximately RMB30.2 billion, representing a year-on-year decrease of approximately 8.1%. Sizable garment and apparel enterprises recorded revenue of approximately RMB564.9 billion, representing a year-on-year decrease of approximately 1.4%, with net profit of approximately RMB20.9 billion, representing a year-on-year decrease of

approximately 12.9%. With respect to production volume, between January and June 2025, yarn production amounted to approximately 11.4 million tonnes with a year-on-year increase of approximately 5.0%; fabric production amounted to approximately 15.4 billion metres remaining flat year-on-year; synthetic fiber production amounted to approximately 42.4 million tonnes with a year-on-year increase of approximately 4.9%.

According to statistics from the General Administration of Customs of the PRC, between January and June 2025, the aggregate export value of textile apparel was approximately US\$144.0 billion, representing a year-on-year increase of approximately 0.6%. Among these exports, textile exports amounted to approximately US\$70.5 billion with a year-on-year increase of approximately 1.8%, while garment exports amounted to approximately US\$73.5 billion with a year-on-year decrease of approximately 0.2%.

According to statistics from the General Department of Vietnam Customs, between January and June 2025, the export volume of yarns and staple fibers manufactured in Vietnam increased by approximately 2.5% to approximately 930,000 tonnes, with a decrease of approximately 4.0% in revenue to approximately US\$2.1 billion. Also, the revenue of garment exports increased by approximately 12.3% to approximately US\$18.7 billion.

BUSINESS REVIEW

The Group's revenue is mainly derived from the sale of yarns, while its midstream and downstream businesses primarily consist of woven garment fabric sales, which are mainly targeted at the overseas markets. During the Review Period, revenue from the sale of yarns decreased by approximately 2.2% to approximately RMB8,622.2 million compared with the corresponding period of last year, due to a year-on-year decline in unit selling prices. Revenue from the sale of woven garment fabrics increased significantly by approximately 17.9% compared with the corresponding period of last year, which, to some extent, contributed to a modest decline in yarns as a percentage of the total revenue, slipping to 78.1% from 78.4% for the corresponding period of last year.

Yarn operation

During the Review Period, global economic growth decelerated amid heightened divergence among major economies. Coupled with uncertainties including geopolitical tensions, sustained high inflation, and tariff disputes, international trade faced considerable downward pressure. Therefore, overall consumption momentum within the global textile and apparel market was weak. Although market demand showed modest improvement, the sector faced a “higher volume, lower prices” pattern, which posed a greater challenge to cost control for the textile industry. This requires the enterprises to adopt more flexible and tailored procurement strategies to respond to market changes and reduce costs. On the other hand, in the wake of the “reciprocal tariffs” policy

imposed by the United States, a “front-loading of exports” has resulted, providing phase-specific support to order volumes during the Review Period and granting short-term advantages to overseas production capacity.

Regarding consumption trends within the industry, the growing popularity for outdoor sports has propelled the demand for functional sportswear, while consumers’ heightened focus on functionality, health attributes, and environmental friendliness of textiles has continued to increase, driving the yarn industry’s transformation towards differentiation and premiumization, and creating structural growth opportunities for relevant yarn products.

During the Review Period, the Group has proactively captured these market opportunities by developing products that align with market needs, leading to an increase in yarn sales volume of approximately 3.6% compared to the corresponding period last year, reaching approximately 385,000 tonnes.

The Group’s order volume for yarns and capacity utilization rate of yarn factories, particularly overseas factories, increased compared with the corresponding period of last year. Together with a flexible raw material procurement strategy, the average gross profit margin of yarns rose to 13.9% for the Review Period, representing a significant rise from 12.5% for the corresponding period of last year.

Woven garment fabric operation

The production capacity for woven garment fabrics is primarily located overseas, and the products are mainly sold to overseas markets. Prompted by the United States tariff policy announced in early April and the subsequent 90-day negotiation grace period, numerous customers expedited their bonded zones inventory replenishment in the second quarter of 2025, driving a notable increase in shipment volume in the second quarter for the Group. As a result, the sales volume of woven garment fabrics for the Review Period rose significantly by approximately 17.0% to approximately 51.0 million metres, compared with approximately 43.6 million metres for the corresponding period of last year.

Leveraging the longer order cycle of woven garment fabrics and favorable timing of declining cotton and yarn costs in the second quarter, the Group proactively optimized its capacity utilization rate and implemented stringent control on various energy costs. As such, the gross profit margin of woven garment fabrics increased from 18.8% for the corresponding period of last year to 23.5% for the Review Period.

Knitted garment fabric operation

Following the disposal of the Group's loss-making Vietnam factory in November 2023, the Group's knitted garment fabric operation has primarily focused on the domestic market. During the Review Period, as competition within the domestic market intensified due to a decline in exports to the United States, the sales volume of knitted garment fabrics receded to approximately 3,800 tonnes from approximately 5,800 tonnes for the corresponding period of last year. Sales revenue also contracted by 37.8% to approximately RMB185.9 million from approximately RMB298.7 million for the corresponding period of last year. Due to the decrease in the capacity utilization rate as a result of insufficient orders during the Review Period, coupled with the provision for impairment of fixed assets, the gross profit margin for the Review Period was -4.2%.

Trading operation

The trading operation mainly comprises the trading business of yarns, garment fabrics and garments, with a primary focus on the denim fabric and garment trading business in the United States. The Group flexibly adjusted its yarn and garment fabric trading strategies in response to market conditions, achieving a substantial improvement in related trade business revenue during the Review Period compared with the corresponding period of last year. Furthermore, due to tariff adjustments, U.S. customers have shown increased preference for locally sourced fabrics and apparel, which has driven a significant increase in sales revenue from the Group's denim fabrics and apparel business in the United States.

Driven by the aforementioned factors, the sales revenue from the trading operation rose approximately 29.9% to approximately RMB818.5 million. The gross profit margin fell from 12.3% for the corresponding period of last year to 10.3% for the Review Period primarily due to changes in the sales mix.

Non-woven fabric operation

The non-woven fabric operation has underperformed expectations in recent years, impacted by rising global inflation driving up living costs and weak post-pandemic demand for non-essential goods. The Group has continuously refined the non-woven fabric product mix and actively explored overseas markets for opportunities. Notably during the Review Period, the Group captured opportunities arising from the Sino-US trade tensions to optimize overseas production layouts for non-woven fabrics, establishing strategic partnerships with leading customers to broaden international customer bases and secure market orders. During the Review Period, the sales revenue from non-woven fabrics increased to approximately RMB69.1 million from approximately RMB35.3 million for the corresponding period of last year.

The operation data of the Group's products for the Review Period as compared with the corresponding period of last year is set out below:

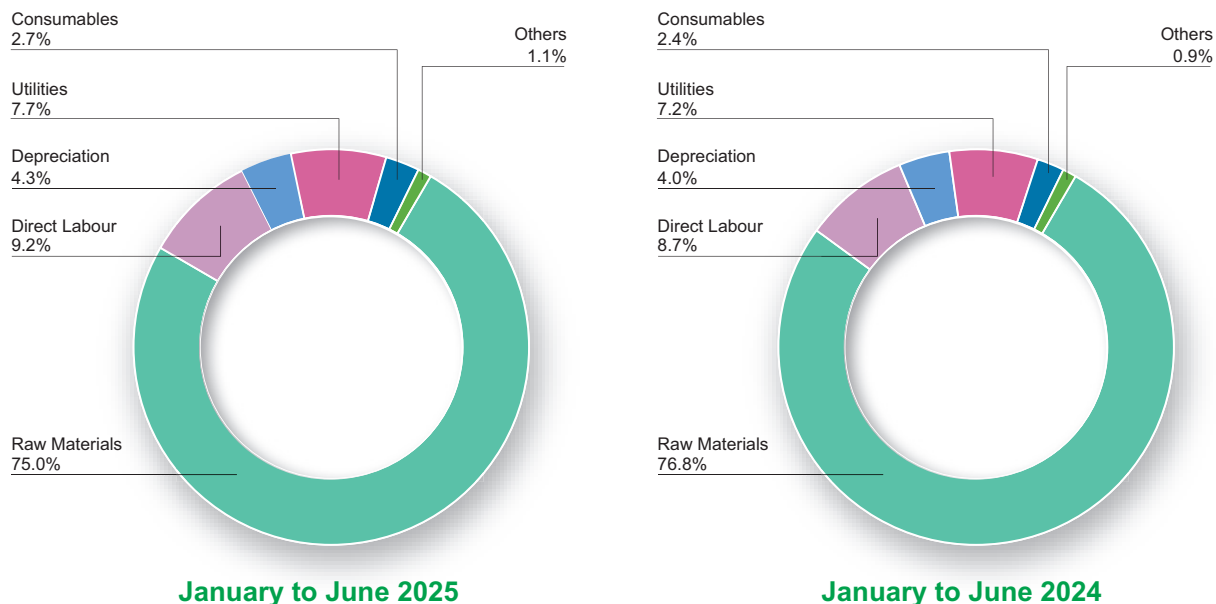
	Revenue from January to June 2025 RMB'000	Revenue from January to June 2024 RMB'000	Revenue change
Yarns	8,622,192	8,812,311	-2.2%
Grey fabrics	137,194	189,027	-27.4%
Woven garment fabrics	1,168,704	991,499	17.9%
Knitted garment fabrics	185,926	298,725	-37.8%
Trading	818,487	629,972	29.9%
Non-woven fabrics	69,065	35,271	95.8%
Others	32,488	286,724	-88.7%
Total	<u>11,034,056</u>	<u>11,243,529</u>	<u>-1.9%</u>

	Sales volume		Selling price		Gross profit margin	
	January to June 2025	January to June 2024	January to June 2025	January to June 2024	January to June 2025	January to June 2024
Yarns (Tonnes/RMB per tonne)	385,437	372,004	22,370	23,689	13.9%	12.5%
Grey fabrics (Million metres/RMB per metre)	19.9	21.9	6.9	8.6	11.1%	6.0%
Woven garment fabrics (Million metres/RMB per metre)	51.0	43.6	22.9	22.7	23.5%	18.8%
Knitted garment fabrics (Tonnes/RMB per tonne)	3,840	5,774	48,418	51,736	-4.2%	11.4%
Non-woven fabrics (Tonnes/RMB per tonne)	<u>2,853</u>	<u>1,404</u>	<u>24,208</u>	<u>25,122</u>	<u>-21.2%</u>	<u>-40.2%</u>

The Group's overall gross profit margin increased from approximately 13.2% for the six months ended 30 June 2024 to approximately 14.2% for the six months ended 30 June 2025. During the Review Period, the Group has seen a recovery in orders from both domestic and international markets, with increased sales volumes of main products and capacity utilization rates compared to the corresponding period last year, resulting in a significant increase in the Group's gross profit margin.

The Group's cost of sales amounted to approximately RMB9,468.4 million during the Review Period. The cost of raw materials accounted for approximately 75.0% of the total cost of sales for the six months ended 30 June 2025.

The breakdown of the Group's cost of sales for the six months ended 30 June 2025 as compared with the cost of sales for the six months ended 30 June 2024 is shown below:



The Group will continue to implement its established corporate strategies, optimize its existing product mix and develop new products that address market trends and needs. In addition, the Group will also enhance the level of vertical integration among its various business segments to further improve its financial performance.

Against a backdrop of the textile industry's ongoing pursuit of high efficiency, low carbon, and high-quality development, the Group, as a technology leader in the cotton spinning field, continuously seeks out and focuses on industry pain points. Through equipment improvements and process innovation, we have driven breakthroughs in product quality and application. In recent years, the Group has made continuous investments in vortex spinning pure cotton-wrapped spandex technology. While retaining the advantages of vortex spinning such as "high production capacity, low pilling, a smooth fabric surface, and low energy consumption", we have significantly enhanced the elastic recovery rate and tensile strength of the yarns. This gives these products new performance characteristics, addressing the weakness of insufficient strength in traditional vortex spinning pure cotton yarns. At the same time, it imparts excellent stretchability and shape retention to the fabric, allowing these products to be widely used in categories such as knitted fabrics, woven fabrics, and even some industrial textiles. Additionally, on the basis of pure cotton yarn, we have also increased the production of polyester blended or rayon-type elastic vortex-spun yarns. This meets the current demand for elastic fabrics and satisfies customers' higher quality and performance requirements for vortex-spun blended yarns.

The China market continues to be the Group's major market. In the first half of 2025, the demand for textiles from overseas markets significantly increased as compared with the corresponding period of last year. Consequently, the proportion of the Group's sales derived from China market decreased to approximately 62.1% for the Review Period from approximately 66.3% for the corresponding period of last year. The Group's ten largest customers accounted for approximately 17.0% of its total revenue for the six months ended 30 June 2025.

PROSPECTS

The Group maintained a prudent investment strategy throughout the Review Period. As at 30 June 2025, the Group's major production facilities were equipped with approximately 4.23 million spindles, basically consistent with production capacity of the previous year, of which approximately 2.48 million spindles were located in the PRC and approximately 1.75 million spindles were located overseas (mainly in Vietnam), along with over 1,700 weaving and knitting machines and related dyeing equipment. The Group disposed of certain obsolete equipment during the Review Period as part of its technological transformation and upgrade initiatives, as well as its efforts to reallocate production capacity.

Looking ahead to the second half of 2025, significant uncertainty persists regarding the "reciprocal tariffs" policy implemented by the United States. Elevated tariffs may push up end-market consumer prices, potentially exposing the textile industry to inventory mismatches and demand pullback. If the high inventories amassed via "front-loading of imports" to avoid higher tariffs in the first half year are not drawn down in the second half year, certain enterprises will face the dual pressures of rising inventory costs and abrupt order reductions. In addition, ongoing geopolitical risks persist, including tensions in the Middle East and escalation of the Russia-Ukraine war, threatening to disrupt global supply chains and drive up energy and raw materials prices, and potentially further decelerate worldwide trade growth.

Also, the United States tariff rates on Chinese goods remain elevated, and the tariff confrontation between the two sides may impact China's exports. Currently, uncertainty surrounds the progress of tariff negotiations between the United States and major trading partners while tariff tensions among major economies persist, making spillover effects inevitable. The long-term trend of high global tariffs is unavoidable, and the risk of trade fragmentation continues to loom. However, the United States' "One Big Beautiful Bill Act" provides substantial tax relief and fiscal expenditures for domestic enterprises, further stimulating economic growth. Coupled with a depreciation pressure of the US dollar from anticipated interest rate cuts and rising capital inflows into emerging markets, these factors are creating an "unexpectedly accommodative" financial environment that may, to some extent, mitigate the economic downside risks.

The “reciprocal tariff” policy of the United States will accelerate near-shoring and regionalization of the global textile supply chain, fostering industry-wide capacity relocation. Enterprises with established overseas production footprints will gain significant competitive advantages in capturing market opportunities. Having positioned production capacity across the PRC, Vietnam, Europe, and the Americas, the Group is equipped to seize the market opportunities and further expand international market share.

Against the backdrop of an accelerated reshaping of the global textile industry, the sector is undergoing a profound transformation from scale expansion to innovation-driven development. As the upstream anchor of the textile value chain, the yarn industry’s intelligent production, eco-friendliness and product functionality upgrades critically determine its overall competitiveness while serving as the core engine for the high-quality development of the textile industry. With smart manufacturing technologies reshaping yarn production models, the Group will capture the trend and further strengthen its “organic growth” strategy, which involves upgrading existing equipment through technological enhancements to improve production efficiency, reduce production costs, and ultimately enhance return on investment.

Under the global carbon neutrality trend, green consumption has moved from conceptual advocacy to large-scale implementation and is poised to become an important growth driver in the consumer market in the second half of 2025. This shift not only reflects the rising environmental awareness of consumers, but also signals a fundamental shift in approach towards economic development. Green consumption spans products, services and production processes, creating a virtuous cycle where eco-conscious consumer choices propel supply-side green transformation. As at the end of June 2025, the Group has built and commissioned 70 MW of photovoltaic power stations in Mainland China and will continue to construct approximately 110 MW of distributed photovoltaic power stations at its domestic and overseas plants in the second half of 2025, demonstrating its tangible commitment to environmental protection and sustainable development, while also reducing the Group’s energy costs.

Based on prevailing market conditions and excluding sales from the trading operation, the Group targets to sell approximately 400,000 tonnes of yarns, 50 million metres of woven garment fabrics and 3,000 tonnes of knitted garment fabrics in the second half of 2025.

SUBSEQUENT EVENTS AFTER THE REVIEW PERIOD

References are made to the announcements of the Company dated 10 December 2018 and 6 June 2025 (the “Announcements”) in relation to, among others, the grant and exercise of a put option (the “Put Option”) in Winnitex International Group Limited (the “JV”) to Mr. Wai Chi Wah, Nelson (“Mr. Nelson Wai”) pursuant to a term sheet dated 7 December 2018 entered into between the Company, Mr. Wai Chi Kwok, Jacob, Mr. Nelson Wai and the JV (the “JV Term Sheet”). On 6 June 2025, Mr. Nelson Wai

served a written notice to the Company to exercise his Put Option to sell his entire shareholding in the JV, being 10% of the total issued share capital of the JV (the “NW Option Shares”), to the Company in accordance with the terms of the JV Term Sheet. Completion of the sale and purchase of the NW Option Shares took place on 7 July 2025, upon which the Company paid 95% of the tentative consideration, being approximately HK\$248.7 million, to Mr. Nelson Wai and his nominee. As at the date of this announcement, the balance of the consideration is yet to be paid as the total consideration payable is subject to verification by the accounting firm in accordance with the terms of the JV Term Sheet. For further details regarding the grant and exercise of the Put Option, please refer to the Announcements.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2025, the Group’s bank and cash balances (including pledged bank deposits) amounted to approximately RMB2,715.2 million (as at 31 December 2024: RMB2,904.2 million). The decrease in bank and cash balances was primarily due to the Group’s strategic reduction of bank borrowings to continuously optimize its asset-liability structure.

As at 30 June 2025, the Group’s inventories increased by approximately RMB825.9 million to approximately RMB5,369.0 million (as at 31 December 2024: RMB4,543.1 million), and trade and bills receivables (including financial assets at fair value through other comprehensive income) increased by approximately RMB110.5 million to approximately RMB1,890.0 million (as at 31 December 2024: RMB1,779.6 million). The inventory turnover days and trade and bills receivables turnover days were approximately 94 days and 30 days for the Review Period respectively, as compared with approximately 87 days and 29 days for the year ended 31 December 2024, respectively. The increase in inventory turnover days was primarily due to yarns customers picking up goods at a slower pace at the end of the second quarter of 2025, as a result of the impact of US tariff policies. The trade and bills receivables turnover days for the Review Period slightly increased as compared with last year, which was mainly due to increase in sales overseas.

As at 30 June 2025, the trade and bills payables of the Group (including supply chain financing) increased by approximately RMB576.4 million to approximately RMB3,574.2 million (as at 31 December 2024: RMB2,997.8 million), the trade and bills payables turnover days were approximately 62 days, as compared with approximately 57 days for the year ended 31 December 2024. The increase in trade and bills payables and their turnover days was mainly due to early settlement of a substantial amount of letter of credit by the Group at the end of 2024.

As at 30 June 2025, the Group's borrowings decreased by approximately RMB574.0 million to approximately RMB5,821.5 million (as at 31 December 2024: RMB6,395.5 million), which was mainly due to the Group's strategic reduction of bank borrowings to continuously optimize its asset-liability structure. Such borrowings were denominated in the following currencies: approximately RMB4,134.3 million in RMB, approximately RMB942.8 million in Hong Kong dollars ("HK\$" or "HKD"), approximately RMB261.3 million in U.S. dollars ("US\$" or "USD") and approximately RMB483.1 million in Vietnamese dong ("VND").

As at 30 June 2025 and 31 December 2024, the Group's key financial ratios were as follows:

	As at 30 June 2025	As at 31 December 2024 (restated)
Current ratio	1.26	1.40
Debt to equity ratio ¹	0.59	0.68
Net debt to equity ratio ²	0.32	0.37
Gearing ratio ³	0.51	0.52

¹ Based on total borrowings over total equity attributable to owners of the Company

² Based on total borrowings net of cash and cash equivalents and pledged bank deposits over total equity attributable to owners of the Company

³ Based on total liabilities over total assets

Foreign exchange risk

The Group mainly operates in the PRC and Vietnam. Most of the Group's transactions, assets and liabilities are denominated in RMB, USD and HKD. Foreign exchange risk may arise from future commercial transactions, recognized assets and liabilities and net investments in relation to foreign operations. The Group's exposure to foreign exchange risk is mainly attributable to its bank borrowings and raw material procurement denominated in USD and HKD. The Group manages its foreign exchange risks by performing regular reviews and closely monitoring its foreign exchange exposures.

To mitigate the depreciation risk of RMB, the Group has entered into certain amount of forward foreign exchange contracts and cross currency swap contracts so that a significant part of its foreign currency exposure is hedged.

Capital expenditure

For the six months ended 30 June 2025, the capital expenditure of the Group amounted to approximately RMB340.0 million (for the six months ended 30 June 2024: RMB290.0 million). This was mainly related to equipment upgrades and renovations at factories in Mainland China and overseas as well as factory construction in Vietnam during the Review Period.

Significant investments held, material acquisitions and disposals and other significant transactions

References are made to the announcements of the Company dated 7 November 2022, 8 December 2022, 3 February 2023, 15 March 2024, 15 April 2024, 24 March 2025 and 2 May 2025, and circular dated 9 December 2022 in relation to, among others, the asset purchase agreement (the “Asset Purchase Agreement”) entered into between a wholly-owned subsidiary of the Company (“HK Co”) and Texhong Industrial Park Vietnam Limited (天虹工業園區越南有限公司) (“Texhong Industrial Park”) on 7 November 2022, pursuant to which HK Co agreed to purchase, and Texhong Industrial Park agreed to sell, certain plots of land and infrastructure and ancillary equipment thereon. Pursuant to the Asset Purchase Agreement (as supplemented), Texhong Industrial Park had undertaken to HK Co that, among others, it shall complete the registration of the transfer of the legal title of the subject lands (the “Registration”) by 31 March 2025; and in case the Registration cannot be completed by 31 March 2025, Texhong Industrial Park shall return to HK Co the consideration received together with all the interest accrued in respect of the parcel of land together with the buildings and all assets attached to the land for which the Registration cannot be completed (after deducting the fees generated from the provisions of utilities received in respect of the parcel of land and the operation cost) (the “Return Consideration”). However, applications made to the relevant authorities to change the function of one of the land lots (“Land Lot 1”) for the Registration had been rejected. Meanwhile, the other land lot to be acquired (“Land Lot 2”) had been subsequently rezoned into two plots, of which Registration for one (which housed the target assets situated on Land Lot 2) had been completed. Progress of Registration for the remaining plot (which is vacant) (“Land Lot 2B”), however, remained slow. After due and careful consideration and assessment of the feasibility of completing the Registration given the slow progress and other relevant factors, the Directors were of the view that it would be in the best interests of the Group and the Shareholders to discontinue attempts to complete with Registration of Land Lot 1 and that there was no need to proceed with the Registration of Land Lot 2B. Accordingly, on 24 March 2025, the parties agreed to discontinue attempts to complete the Registration of Land Lot 1 and Land Lot 2B and unwind the acquisition (the “Unwinding”) of Land Lot 1, the infrastructure and ancillary equipment thereon and Land Lot 2B (together, the “Returned Assets”) in accordance with the terms of the Asset Purchase Agreement (as supplemented) with effect from 1 April 2025. During the Review

Period, Texhong Industrial Park has refunded the Return Consideration attributable to the Returned Assets, and the Returned Assets have been derecognized accordingly from the consolidated financial statements of the Group.

To ensure sufficient supply of steam, water and liquefied petroleum gas (the “Required Utilities”) by Texhong Industrial Park to the Group after the Unwinding, on 24 March 2025, Texhong Industrial Park and the Company entered into a utilities supply framework agreement, pursuant to which Texhong Industrial Park shall supply the Required Utilities to the Group for the period from 1 April 2025 to 31 December 2025. For further details, please refer to the announcements of the Company dated 24 March 2025 and 2 May 2025.

Saved as disclosed above, during the Review Period, there were no significant investments held, no material acquisitions or disposal of subsidiaries, associates and joint ventures, nor were there any other significant transactions.

Pledge of assets

As at 30 June 2025, bank borrowings of RMB199.9 million (as at 31 December 2024: RMB200.0 million) were secured by entitled export tax rebates to be collected.

Contingent liabilities

As at 30 June 2025, the Group had no material contingent liabilities (as at 31 December 2024: nil).

Human resources

As at 30 June 2025, the Group had a total workforce of 26,222 employees (as at 31 December 2024: 26,655), of whom 14,475 employees were based in the sales headquarters and our manufacturing plants in Mainland China. The remaining 11,747 employees were stationed in regions outside Mainland China, including Vietnam, Turkey, the Americas, Hong Kong of China and Macao of China. The Group has a total of 12,740 female employees, accounting for 48.6% of the total number of employees as at 30 June 2025. During the Review Period, the Group’s total staff costs was approximately RMB1,253.3 million (for the six months ended 30 June 2024: approximately RMB1,189.6 million).

The Group will continue to optimize its human resources structure and offer a competitive remuneration package to its employees making reference to factors including the prevailing market conditions and the performance of the Group and the merits of the employees regardless of their gender, race, age or religion. As the Group’s success is dependent on the contribution of a group of skillful and motivated employees who form functional departments, the Group is committed to creating a learning and sharing culture in the organization, placing strong emphasis on the training and development of individual staff and team building.

Dividend policy

The Board intends to maintain a long-term, stable dividend payout of about 30% of the Group's net profit for the year attributable to owners of the Company, providing our Shareholders with reasonable investment returns. During the Review Period, the Group demonstrated robust operating performance and maintained a healthy cash flow. However, to effectively address the uncertainty posed by the United States' "reciprocal tariffs" policy, the Group intends to further reduce its debt levels in order to mitigate operational risk while also reducing its financing costs, thereby enhancing profitability. Accordingly, the Board has resolved not to declare an interim dividend for the six months ended 30 June 2025.

Purchase, sale or redemption of the listed securities of the Company

There was no purchase, sale or redemption of any of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2025.

CORPORATE GOVERNANCE

The Group is committed to maintaining high level of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner.

As at the date of this interim results announcement, the Board comprises three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "Code Provisions") set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). During the Review Period, the Company had complied with the Code Provisions.

Note: The amendments to the Corporate Governance Code effective on 1 July 2025 will apply to corporate governance reports and annual reports of the Company for financial years commencing on or after 1 July 2025. For this interim results announcement, the Company shall refer to the then effective Corporate Governance Code.

CHANGES OF INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES UNDER RULE 13.51B(1) OF THE LISTING RULES

There is no information required to be disclosed by the Company pursuant to Rule 13.51B(1) of the Listing Rules during the six months ended 30 June 2025.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code set out in Appendix C3 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding the Directors' securities transactions during the Review Period. During the Review Period, no incident of non-compliance with the code of conduct regarding the Directors' securities transactions was noted by the Company.

AUDIT COMMITTEE

The Company has established an audit committee which comprises three independent non-executive Directors, namely, Mr. Shu Wa Tung, Laurence, Professor Tao Xiaoming and Professor Cheng Longdi. Mr. Shu Wa Tung, Laurence is the chairman of the audit committee. The audit committee is principally responsible for, among others, reviewing and supervising the Group's financial reporting process and internal control system, and providing advice and recommendations to the Board.

The audit committee has discussed with management and reviewed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2025, and have no disagreement with the accounting treatment or standards adopted.

REMUNERATION COMMITTEE

The remuneration committee of the Board comprises three independent non-executive Directors, namely Mr. Shu Wa Tung, Laurence, Professor Tao Xiaoming and Professor Cheng Longdi. Mr. Shu Wa Tung, Laurence is the chairman of the remuneration committee. The remuneration committee is principally responsible for, among others, formulating the Group's policy and structure for all remuneration of the Directors and senior management, and providing advice and recommendations to the Board.

NOMINATION COMMITTEE

The nomination committee of the Board comprises Mr. Hong Tianzhu (the chairman and executive Director), and three independent non-executive Directors, namely Mr. Shu Wa Tung, Laurence, Professor Tao Xiaoming and Professor Cheng Longdi. Mr. Hong Tianzhu is the chairman of the nomination committee. The nomination committee is principally responsible for, among others, reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of independent non-executive Directors, supporting the Company's regular evaluation of the Board's performance, and providing advice and recommendations to the Board.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE (THE “ESG COMMITTEE”)

The ESG Committee of the Board comprises four members, namely, Mr. Zhu Yongxiang, Professor Tao Xiaoming, Professor Cheng Longdi and Mr. Shu Wa Tung, Laurence. Mr. Zhu Yongxiang is the chairman of the ESG Committee. The ESG Committee is principally responsible for, among others, overseeing and reporting to the Board on matters relating to ESG of the Group, and providing advice and recommendations to the Board.

By order of the Board
Texhong International Group Limited
Hong Tianzhu
Chairman

Hong Kong, 27 August 2025

As at the date of this announcement, the Board comprises the following directors:

Executive directors:

Mr. Hong Tianzhu
Mr. Zhu Yongxiang
Mr. Ye Lixin

Independent non-executive directors:

Mr. Shu Wa Tung, Laurence
Prof. Cheng Longdi
Prof. Tao Xiaoming